

**COUNTY OF SAN BERNARDINO,
CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2003

COUNTY OF SAN BERNARDINO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2003

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable Members of
the Board of Supervisors
County of San Bernardino, California

We have audited the financial statements of the County of San Bernardino, California (the County), as of and for the year ended June 30, 2003, and have issued our report thereon dated November 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the County in a separate letter dated December 10, 2003.

This report is intended solely for the information and use of management, the Board of Supervisors, Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavreck, Trine Day & Co, LLP

Rancho Cucamonga, California
November 26, 2003



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

The Honorable Members of
the Board of Supervisors
County of San Bernardino, California

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Community Services Department and Child Development Program, which expended \$6,460,411 and \$33,723,128 respectively, in federal awards, which are not included in the schedule during the year ended June 30, 2003. Our audit described below did not include the grant programs of the Community Services Department and Child Development Program because the County engaged other auditors to perform such audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedules of findings and questioned costs as items 2003-1 through 2003-14.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control over compliance did not extend to the Community Services Department and Child Development Program, which are audited by other auditors.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain immaterial matters that we have reported to the County's management in a separate letter dated May 31, 2004.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2003, and have issued our report thereon, dated November 26, 2003. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Supervisors, and Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Varrinck, Tine, Day & Co, LLP

Rancho Cucamonga, California
May 31, 2004

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Medicaid Cluster - Department of Health and Human Services:		
California Department on Aging:		
Medi-Cal Assistance Program	93.778	\$ 587,382
California Department of Alcohol and Drug Program:		
Medi-Cal Assistance Program	93.778	1,785,336
California Department of Health Services:		
Medi-Cal Assistance Program	93.778	4,209,544
California Department of Mental Health:		
Medi-Cal Assistance Program	93.778	27,218,135
California Department of Social Services:		
Medi-Cal Assistance Program	93.778	27,195,882
Total Medicaid Cluster [1]		60,996,279
Aging Cluster - Department of Health and Human Services:		
California Department on Aging:		
Special Programs for the Aging - Title III, Part B	93.044	1,184,833
Special Programs for the Aging - Title III, Parts C1 and C2, Nutrition Services	93.045	2,331,790
Total Aging Cluster		3,516,623
Child Nutrition Cluster - Department of Agriculture:		
California Department of Education:		
School Breakfast Program	10.553	239,000
National School Lunch Program	10.555	367,425
Total Child Nutrition Cluster		606,425
Food Stamps Cluster - Department of Agriculture:		
California Department of Social Services:		
Food Stamps Program	10.551	124,236,754
Food Stamps Administration	10.561	13,009,576
California Department of Health Services:		
Nutrition Network	10.561	443,426
Public Health Institute:		
California Latino 5 A Day Campaign	10.561	27,218
Children's Five-A-Day Power Play Campaign	10.561	107,226
Total Food Stamps Cluster [1]		137,824,200

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Department of Agriculture:		
California Department of Education:		
Child and Adult Care Food Program	10.558	\$ 1,941,512
California Department of Food and Agriculture:		
Inspection, Grading, and Standardization	10.162	5,145
California Department of Health Services:		
Special Supplemental Nutrition Program for Women, Infants, and Children [1]	10.557	7,646,287
California Department on Aging:		
Nutrition Program for the Elderly	10.570	621,176
State Controller:		
Schools and Roads - Cluster	10.665	129,190
Direct Programs:		
Forestry Research Grant	10.652	100,964
Cooperative Agreement for Controlled Substances	10.664	15,000
Total Department of Agriculture		10,459,274
Department of Education:		
California Department of Alcohol and Drug Program:		
Safe and Drug-Free Schools	84.186	42,532
Department of Health and Human Services:		
California Children's Fund:		
Early Learning Opportunities Grant	93.577	345,374
California Department of Alcohol and Drug Program:		
Substance Abuse Prevention and Treatment Block Grant [1]	93.959	9,747,634
California Department of Health Services:		
Project Grants for Tuberculosis Control	93.116	233,833
Acquired Immunodeficiency Syndrome	93.118	225,000
Childhood Immunization Grant	93.268	313,592
HIV Care Formula Grant - Title II	93.917	869,740
Project Lean - Food on the Run	93.991	40,000
Maternal and Child Health Services Block Grant	93.994	1,602,172
Total California Department of Health Services		3,284,337
California Department of Mental Health:		
Projects for Assistance in Transition from Homelessness	93.150	131,625
Mental Health Services Block Grant	93.958	3,059,486
Total California Department of Mental Health		3,191,111

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
California Department of Social Services:		
Healthy Schools/Healthy Communities	93.151	\$ 263,800
Family Preservation and Support Services	93.556	2,386,035
Temporary Assistance to Needy Families [1]	93.558	220,023,414
Child Support Enforcement [1]	93.563	25,560,440
Refugee and Entrant Assistance	93.566	74,134
Adoption Incentive Payments	93.603	452,626
Child Welfare Services - State Grants	93.645	1,928,199
Adoption Assistance [1]	93.659	6,804,240
Independent Living Skills	93.674	1,412,316
		<u>258,905,204</u>
Foster Care - Title IV - E [1]	93.658	50,974,144
Foster Care - Title IV - E - PRB [1]	93.658	10,413,568
Subtotal Foster Care		<u>61,387,712</u>
Total California Department of Social Services		<u>320,292,916</u>
California Department on Aging:		
Special Programs for the Aging - Title VII-B	93.041	30,079
Special Programs for the Aging - Title VII-A	93.042	95,506
Special Programs for the Aging - Title III, Part F	93.043	76,593
Family Caregiver	93.052	596,515
Health Care Financing Research Demonstrations Project	93.779	32,265
Total California Department on Aging		<u>830,958</u>
California Family Planning Commission:		
Family Planning Service - Title X	93.217	<u>529,668</u>
California Office of Criminal Justice and Planning:		
Children's Justice Grants to States	93.643	<u>148,324</u>
Direct Programs:		
SPRANS Community-Based Abstinence Education	93.110	80,061
Head Start Program [1]	93.600	32,739,885
HIV Cluster - HIV Emergency Relief Formula Grant Title I	93.914	7,020,738
Grants to Provide Outpatient Services for HIV Disease	93.918	561,512
Total Direct Programs		<u>40,402,196</u>
Total Department of Health and Human Services		<u>378,772,518</u>

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Direct Programs:		
Federal Asset Forfeitures Program	16.000	\$ 1,537,867
Local Law Enforcement Block Grant - 2000	16.592	229,664
Local Law Enforcement Block Grant - 2001	16.592	130,304
Community Prosecution Grant	16.609	64,079
Cops More Grant	16.710	2,629,357
Total Direct Programs		4,591,271
Total Department of Justice		11,680,532
Department of Labor:		
California Department on Aging:		
Senior Community Service Employment Program - Title V	17.235	308,862
California Employment Development Department:		
Welfare-to-Work	17.253	1,583,233
Workforce Investment Act	17.255	16,369,178
National Council on Aging:		
Senior Community Service Employment Program - Title V	17.235	501,553
Total Department of Labor		18,762,826
Department of the Interior - Bureau of Land Management:		
State Controller's Office:		
Payment in Lieu of Tax	15.226	1,530,275
Department of the Interior - Bureau of Reclamation:		
Direct Programs:		
Grand Canyon Sedimentation, Vegetation, and Avian Use Study	15.000	135,398
Reclamation and Water Reuse Program	15.504	142,211
Southwestern Willow Flycatcher Field Study	15.BCD	377,354
Total Department of the Interior - Bureau of Reclamation		654,963
Department of Transportation:		
California Department of Transportation:		
Highway Planning and Construction Cluster - Highway Planning and Construction Grant	20.205	5,941,928
California Department of Boating and Waterways:		
Boating Program	20.005	189,653
Direct Program:		
Airport Improvement Program	20.106	2,901,222
Total Department of Transportation		9,032,803

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor/Program Title	Federal CFDA Number	Federal Award Expenditures
Environmental Protection Agency:		
State Water Resources Control Board:		
Lenwood Sewer Project	66.606	\$ 413,650
State Underground Storage Tanks Program	66.804	130,170
Total Environmental Protection Agency		543,820
Federal Emergency Management Agency:		
State Department Office of Emergency Services:		
Disaster Assistance - Transportation	83.544	12,611
Institute of Museum and Library Services:		
California State Library:		
Regional Environmental Literacy Initiative	45.310	42,595
Library Services and Construction Act	84.154	225,000
Total Institute of Museum and Library Services		267,595
Office of National Drug Control Policy:		
County of Riverside:		
High Intensity Drug Trafficking Area - Riverside Methamphetamine Task Force	16.000	584,547
Direct Program:		
High Intensity Drug Trafficking Area	16.000	497,535
Total Office of National Drug Control Policy		1,082,082
United States Army Corp. of Engineers:		
Direct Program:		
San Timeteo Creek County Flood Control Project Loan	12.000	3,938,702
United States Marshal Office:		
Direct Program:		
Federal Inmates	16.000	17,322,265
Total Expenditures of Federal Awards		\$ 675,973,866

[1] Denotes a major federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Community Services Department and Child Development Department, which were audited by other auditors engaged by the County. The aforementioned programs are included in the County's basic financial statements; however, excluded from the Schedule of Expenditures of Federal Awards. A separate single audit report is issued for the Community Services Department and Child Development Department. Federal awards received directly from Federal agencies, as well as, Federal awards, passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in Note #1 to the County's basic financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note #1 to the County's basic financial statements.

C. Relationship to Basic Financial Statements

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's basic financial statements.

Federal award revenues are reported principally in the County's basic financial statements as intergovernmental revenues in the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

E. Outstanding Loans

At June 30, 2003, outstanding loans under the Department of Interior - Bureau of Reclamation - Reclamation and Water Reuse Program are \$17,361,512.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

F. Amount Provided to Subrecipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Federal Award Expenditures
Child and Adult Care Food Program	10.558	\$ 167,735
California Latino 5 a Day Campaign	10.561	12,500
Children's Five-A-Day Power Play Campaign	10.561	14,201
Nutrition Program for the Elderly	10.570	621,176
Community Development Block Grant	14.218	2,900,000
Emergency Shelter Grant Program	14.231	293,084
Home Investment Partnership Program	14.239	7,270,111
Housing Opportunities for Persons with Aids (HOPWA)	14.241	426,161
Federal Asset Forfeiture Program	16.000	55,191
High Intensity Drug Trafficking Area	16.000	472,411
Street Enforcement and Prosecution	16.579	140,096
Welfare-to-Work	17.253	1,051,447
Workforce Investment Act	17.255	8,846,393
Safe and Drug-Free Schools	84.186	42,532
Special Programs for the Aging – Title III, Part B	93.044	375,805
Special Programs for the Aging – Title III, Parts C1 and C2, Nutrition Services	93.045	2,135,594
Family Caregiver	93.052	342,103
Independent Living Skills	93.674	1,312,197
Medi-Cal Assistance Program	93.778	9,342,114
Health Care Financing Research Demonstrations Project	93.779	32,265
HIV HIV Emergency Relief Formula Grant – Title I	93.914	6,409,893
HIV Care Formula Grant – Title II	93.917	521,844
Mental Health Services Block Grant	93.958	1,058,299
Substance Abuse Prevention and Treatment Block Grant	93.959	7,257,628
Maternal and Child Health Services Block Grant	93.994	73,100
Total Amount Provided to Subrecipients		<u>\$ 54,844,732</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

SUMMARY OF AUDITORS' RESULTS
YEAR ENDED JUNE 30, 2003

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster
10.551 and 10.561	Food Stamps Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
93.959	Substance Abuse Prevention and Treatment Block Grant
93.558	Temporary Assistance to Needy Families
93.563	Child Support Enforcement
93.659	Adoption Assistance
93.658	Foster Care - Title IV- E & PRB
93.600	Head Start Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

JUNE 30, 2003

The following findings represent instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Finding 2003-1

Program: Medicaid Cluster

CFDA No.: 93.778

Passed-Through: California Department of Mental Health

Award No.: 02-72102-000

Award Year: Fiscal Year 2002-3003

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria:

The *March 2003 OMB Circular A-133 Compliance Supplement* requires that the County determine eligibility in accordance with the specific eligibility requirements defined in the approved State plan. These requirements include the maintenance of documentation necessary to support units of service provided, signed consent forms, and clinical diagnosis.

Condition Found:

Of the sample of files selected for testing, we noted the following:

- One patient file that could not be located.
- Three files where the units of services provided were inconsistent with the units claimed.
- Twenty cases where one or more forms (physical assessment forms, client plan, clinical assessment form, etc.) were not properly completed.

Effect:

Case data may not accurately reflect the eligibility status of patients thus increasing the risk of noncompliance with the requirements of the State plan.

Recommendation:

We recommend that the County implement more effective monitoring procedures to ensure that documentation required to support claims for reimbursement are properly maintained in the patient files.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Finding 2003-2

Program: Medicaid Cluster
CFDA No.: 93.778
Passed-Through: California Department of Mental Health
Award No.: 02-72102-000
Award Year: Fiscal Year 2002-2003
Compliance Requirement: Reporting
Questioned Costs: None

Criteria:

The 2003 fiscal year grant agreement with the State of California requires that the County submit the monthly claim report within 30 days following the end of the reporting month.

Condition Found:

Of the 12 monthly claim reports submitted to the State for fiscal year 2003, we noted two reports that were submitted 1 and 4 days after the required due date.

Effect:

Lack of formal procedures to ensure timely reporting in accordance with State and Federal guidelines jeopardizes the County's reporting compliance.

Recommendation:

We recommend that the County provide formal training to the necessary personnel on electronic submission procedures to ensure compliance with federal requirements.

Finding 2003-3

Program: Medicaid Cluster
CFDA No.: 93.778
Passed-Through: California Department of Mental Health
Award No.: 02-72102-000
Award Year: Fiscal Year 2002-2003
Compliance Requirement: Special Tests and Provisions – Provider Eligibility
Questioned Costs: None

Criteria:

The *March 2003 OMB Circular A-133 Compliance Supplement* requires that agreements with service providers include provisions for the disclosure requirements of 42 CFR 455, subpart B. These disclosures require the service provider to submit ownership and control information to the State Medicaid agency.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Condition Found:

Of the service provider agreements reviewed, none of the agreements referenced the required federal disclosures.

Effect:

The absence of these provisions in the service provider agreements renders the County noncompliant with the *March 2003 OMB Circular A-133 Compliance Supplement*.

Recommendation:

We recommend that the County incorporate the federal requirements and disclosures into its agreements with service providers.

Finding 2003-4

Program: Adoption Assistance

CFDA No. 93.659

Passed-through: California Department of Social Services

Award No: 2002/2003-24

Award Year: Fiscal Year 2002/03

Compliance Requirement: Eligibility

Questioned Costs: None

Criteria:

The *March 2003 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* and 42 U.S.C. 673 (a)(2) requires that the County make reasonable efforts to place a child for adoption without a subsidy, except where it would be against the best interests of the child.

Condition Found:

During the eligibility determination process, adoption assistance eligibility workers are required to complete Form AAP 4, *Eligibility Certification*. This form includes a section requiring the eligibility worker to document their "search for non-subsidy placement". The form includes a check box, indicating the eligibility worker has determined a need for adoption subsidy as a result of an unsuccessful search for non-public assistance, and a second check box, indicating the search was waived, whereby a search would be against the best interest of the child. Of the 25 cases files selected for testwork, we noted 16 instances whereby the eligibility worker did not check any of the appropriate boxes on Form AAP 4 to document that the County made reasonable efforts to find alternative financial assistance.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

Effect:

The County has not complied with Federal program eligibility requirements, which could jeopardize future funding.

Recommendation:

We recommend that the County improve its policies and procedures with respect to eligibility workers' completion of the AAP 4 Form to ensure all federal eligibility requirements are determined. We further recommend the County strengthen the quality control review process by reviewing case files periodically to ensure all participant files contain the required documents.

Finding 2003-5

Program: Adoption Assistance

CFDA No. 93.659

Passed-through: California Department of Social Services

Award No: 2002/2003-24

Award Year: Fiscal Year 2002/03

Compliance Requirement: Eligibility

Questioned Costs: None

Criteria:

The *March 2003 OMB Circular A-133 Compliance Supplement* requires that the County determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible recipients in accordance with federal requirements.

Condition Found:

To support the County's assessment of eligibility for recipients, Department of Children Services and the HSS department is required to complete the Form FC 3, *Determination of Federal AFDC-FC Eligibility*, Form FC 8, *Federal Eligibility Certification*, Form AAP 4, *Eligibility Certification*, and AAP 1, *Request for Adoption Assistance*.

Of the sample selected for testing, the following was noted:

- In 2 of 25 cases, Form FC 3, *Determination of Federal AFDC-FC Eligibility*, and Form FC 8, *Federal Eligibility Certification*, were not on file.
- In 7 of 25 cases, the Form AAP 4, *Eligibility Certification*, did not indicate that the child was eligible for FFP.
- In 2 of 25 cases, the Form AAP 4, *Eligibility Certification*, did not indicate which qualifying federal eligibility requirement was met.
- In 6 of 25 cases, the Form AAP 4, *Eligibility Certification*, was not on file.
- In 1 of 25 cases, the Form AAP 1, *Request for Adoption Assistance*, was not on file.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

Effect:

Case data may not be current or complete in the case file or the system, which could lead to initial and continuing eligibility errors, inaccurate benefit calculations, and benefit overpayments.

Recommendation:

We recommend that the County improve its policies and procedures with respect to eligibility workers' completion of eligibility forms to ensure all federal eligibility requirements are determined. We further recommend the County strengthen the quality control review process by reviewing case files periodically to ensure all participant files contain the required documents.

Finding 2003-6

Program: Food Stamps Cluster

CFDA No.: 10.551 and 10.561

Passed-through: California Department of Social Services

Award No.: CFL: 02/03-17; 02/03-45; 02/03-50

Award Year: Fiscal Year 2002/2003

Compliance Requirement: Special Tests and Provisions

Questioned Costs: None

Criteria:

The *March 2003 Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* requires that the County 1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; 2) automatically cut off households at the end of their certification period unless recertified; and 3) provide data necessary to meet federal issuance and reconciliation reporting requirements.

Condition Found:

In establishing a new case, the client is certified to receive benefits for a one-year period (certification period). No benefits are to be issued after the certification period end date. The client must go through the recertification process in order to continue receiving benefits. During the certification period, the client must submit to the County Human Services System (HSS) a CW7 form on a monthly basis, which provides updated information on such items as household income, expenses, assets, liabilities, etc. If a CW7 is not received by the required due date, the client's benefits are to be terminated.

Based on the testing performed, the following was noted:

- In 1 of 25 cases, the CW7 was not processed to determine eligibility.
- In 1 of 25 cases, *Income and Eligibility Verification System (IEVS)* information was not processed.
- In 1 of 25 cases, the recertification was not processed on a timely basis.

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Effect:

If CW7's are not processed on a timely basis and recertifications are not performed in a timely manner, case data may not be current within the system. These circumstances increase the risk of eligibility continuation errors, inaccurate benefit calculations and increased error rates for the County.

Recommendation:

We recommend that the County implement procedures to verify and ensure that the most recent monthly CW7 report information, re-certifications and IVES information is present and updated on a current basis in the County's welfare database.

Finding 2003-7

Program: Temporary Assistance for Needy Families (TANF)

CFDA No.: 93.558

Passed-through: California Department of Social Services

Award No.: CFL: 02/03-19; 02/03-21; 02/03-22; 02/03-47; 02/03-54

Award Year: Fiscal Year 2002-2003

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria:

The *March 2003 OMB Circular A-133 Compliance Supplement* requires that the County determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found:

To support the County's assessment of eligibility for clients, the HSS department is required to obtain monthly status reports (CW7's), utilize the IEVS system and maintain procedures to identify the duration of a client's participation in the TANF program.

Of the sample selected for testing, the following was noted:

- In 2 of 25 cases, the CW7 reports were not signed off by a caseworker.
- In 1 of 25 cases, compliance with the 60-month statutory requirement could not be substantiated.

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Effect:

Case data may not be current in the case file or the system, which could lead to initial and continuing eligibility errors, inaccurate benefit calculations and benefit overpayments.

Recommendation:

We recommend that the County implement procedures to verify and ensure that the most recent monthly CW7 report information is present and updated on a current basis in the County's welfare database. Further, we recommend that the County implement procedures to ensure that clients whose participation exceeds statutory time limits have their benefits terminated in a timely manner.

Finding 2003-8

Program: Head Start

CFDA No.: 93.600

Award No.: 09CH0416/38

Award Year: Fiscal Year 2002-2003

Compliance Requirement: Earmarking

Questioned Costs: None

Criteria:

The financial assistance award from the Administration for Children and Families (ACF) specifies that participation in the Head Start program must maintain at least 90 percent of enrollees from families whose income is below the Federal poverty guidelines.

Condition Found:

Caseworkers compile the necessary documents and information needed to assess participant eligibility within the Head Start program. However, there is no tracking mechanism to ascertain what percentage of the enrollees are from families with incomes below the Federal poverty guidelines.

Effect:

Program management over the Head Start program cannot support the department's compliance with the earmarking requirement.

Recommendation:

We recommend that the County develop and implement procedures to capture all enrollees in the Head Start program whose family income exceeds the Federal poverty guidelines in a separate database from the total participant population. Further, on a periodic basis, the County should review the composition of the enrollees in the Head Start program to determine compliance and/or enrollment modifications.

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Finding 2003-9

Program: Child Support Enforcement Program

CFDA No. 93.563

Passed-through: California Department of Social Services

Award No: 2002-2003

Award Year: Fiscal Year 2002/03

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria:

The *March 2003 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* requires Child Support Enforcement Agency to establish a case record for applications/petitions received from individuals requesting child support enforcement services within 20 days of receipt initial application.

Condition Found:

During the eligibility determination process, Child Support caseworkers are required to establish an active case file no more than 20 days after receiving the initial application for child support services from individuals. Of the 25 cases files selected for testwork, we noted 2 instances whereby the caseworker did not establish a case file within the required time frame.

Effect:

The County has not complied with Federal program eligibility requirements, which could jeopardize future funding.

Recommendation:

We recommend that the County improve its policies and procedures to ensure the establishment of Child Support case records are performed in accordance with federal requirements.

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Finding 2003-10

Program: Child Support Enforcement Program

CFDA No. 93.563

Passed-through: California Department of Social Services

Award No: 2002-2003

Award Year: Fiscal Year 2002/03

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria:

The March 2003 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement states the Child Support Enforcement Agency must (1) establish paternity and support obligations, (2) enforce support obligations, (3) secure and enforce medical support obligations, and (4) provide the appropriate child support services need for interstate cases.

Condition Found:

During the establishment and enforcement process, Child Support enforcement officers are required to establish, or attempt to establish, paternity and support obligations within 90 days of locating the non-custodial parent. Of the 25 cases files selected for testwork, we noted 1 instance whereby the enforcement officer did not establish an obligation within the required time frame.

Effect:

The County has not complied with Federal program eligibility requirements, which could jeopardize future funding.

Recommendation:

We recommend that the County improve its policies and procedures to ensure the establishment of Child Support case records are performed in accordance with federal requirements.

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Finding 2003-11

Program: Substance Abuse Prevention and Treatment Block Grant

CFDA No. 93.959

Passed-through: California Department of Alcohol and Drug Program

Award No: County_36

Award Year: Fiscal Year 2002/03

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

The *March 2003 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity, at the time of the award, identify to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.

Condition Found:

Of the 25 subrecipients selected for test work, we noted that the subrecipient contracts (provider contracts/service agreements) do not identify to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency).

Effect:

As a result, the County's subrecipients may not be in compliance with OMB Circular A-133 compliance requirements.

Recommendation:

We recommend that the County review the existing standard provider contract/service agreement to ensure that the required provisions of *OMB Circular A-133* are properly included. Further, we recommend that the County amend the existing contracts to include the required provisions of *OMB Circular A-133*.

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Finding 2003-12

Program: Medicaid Cluster

CFDA No. 93.778

Passed-through: California Department of Alcohol and Drug Program

Award No: SCC36

Award Year: 7/1/01-6/30/05

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: None

Criteria:

The fiscal year 2002 grant agreement with the State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement* and Title 22.

Condition Found:

The following condition was noted during fiscal year 2001-2002. During fiscal year 2002-2003, this condition had not been corrected:

In accordance with Title 22, initial and continuing treatment plans must be approved by the physician within 15 days of the date prepared and the waiver of physical examination must be completed within 30 days of the admission to treatment date. In performing allowable costs test work, it was noted the County's Quality Assurance Review (QAR) process identified instances when Title 22 required timeframes were not met. However, there was no subsequent action taken by the County or provider to adjust or deduct related disallowed units of service previously claimed. In addition, it was noted that there was no formal documentation of policies and procedures for the QAR process, nor were job descriptions available for County Program Coordinators facilitating these reviews.

Effect:

Lack of formal policies and procedures regarding the QAR process and follow-up on findings may lead to future noncompliance.

Recommendation:

We recommend that the County establish, document, and disseminate consistent requisite actions to be taken as a result of findings identified during the QAR process. Additionally, we recommend that the County implement formally documented policies and procedures, current job descriptions for review facilitators, as well as standardized checklists/forms and reports.

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SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Finding 2003-13

Program: Mental Health Services Block Grant

CFDA No. 93.958

Passed-through: California Department of Mental Health

Award No: Not Applicable

Award Year: Fiscal year 2001-02

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria:

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

Condition Found:

The following condition was noted during fiscal year 2001-2002. During fiscal year 2002-2003, this condition had not been corrected:

- The subrecipient contracts do not contain provisions related to OMB Circular A-133 compliance requirements.
- The County does not have a formal procedure for maintaining single audit reports from those subrecipients required to have one performed.
- The County does not perform contract administration and utilization monitoring procedures on homeless shelter contractors.

Effect:

Lack of formal procedures for subrecipient monitoring may lead to future noncompliance.

Recommendation:

We recommend that the County implement a procedure to obtain single audit reports for those subrecipients required to have one performed to ensure compliance with federal requirements. Additionally, we recommend that the County implement formal monitoring procedures for the homeless shelter contractors to ensure compliance with State regulations and federal requirements.

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SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Finding 2003-14

Program: Mental Health Services Block Grant
CFDA No. 93.958
Passed-through: California Department of Mental Health
Award No: Not Applicable
Award Year: Fiscal year 2001-02
Compliance Requirement: Subrecipient Monitoring
Questioned Costs: None

Criteria:

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

Condition Found:

The following condition was noted during fiscal year 2001-2002. During fiscal year 2002-2003, this condition had not been corrected:

The County conducts annual program reviews (APR) of the contractors participating in the County's Mental Health Block Grant program on an annual basis. The review entails site inspections and program evaluation. In reviewing the APRs that had been performed during fiscal year 2002, it was noted that the County's process did not include formal follow-up procedures for deficiencies identified by other audits (i.e., State or County DBH Quality Control) to ensure that the deficiencies have been corrected.

Effect:

Lack of formal follow-up procedures on deficiencies identified in contractor audits may lead to future noncompliance.

Recommendation:

We recommend that the County implement a formal process to follow up on deficiencies identified, when necessary, to ensure that the contractor has corrected the deficiency.

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
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Finding No.	Program	CFDA No.	Compliance Requirement	Status
2002-01	Food Stamps Cluster	10.551 & 10.561	Allowable Costs and Activities	Corrective action implemented
2002-02	Food Stamps Cluster	10.551 & 10.561	Special Test and Provision – ADP System for Food Stamps	See current year finding 2003-6
2002-03	Food Stamps Cluster	10.551 & 10.561	Special Test and Provision – ADP System for Food Stamps	Corrective action implemented
2002-04	Community Development Block Grant	14.218	Reporting	Corrective action implemented
2002-05	Community Development Block Grant	14.218	Cash Management	Corrective action implemented
2002-06	COPS More Grant	16.710	Equipment and Real Property Management	Corrective action implemented
2002-07	COPS More Grant	16.710	Reporting	Corrective action implemented
2002-08	COPS More Grant	16.710	Matching	Corrective action implemented
2002-09	Temporary Assistance to Needy Families	93.558	Allowable Costs and Activities	Corrective action implemented
2002-10	Temporary Assistance to Needy Families	93.558	Eligibility	See current year finding 2003-7
2002-11	Medicaid Cluster	93.778	Allowable Costs and Activities	See current year finding 2003-1
2002-12	Medicaid Cluster	93.778	Allowable Costs and Activities	Corrective action implemented
2002-13	Medicaid Cluster	93.778	Allowable Costs and Activities	Corrective action implemented
2002-14	Medicaid Cluster	93.778	Client Eligibility	See current year finding 2003-1
2002-15	Medicaid Cluster	93.778	Reporting	See current year finding 2003-2
2002-16	Medicaid Cluster	93.778	Subrecipient Monitoring	Corrective action implemented
2002-17	Medicaid Cluster	93.778	Subrecipient Monitoring	Corrective action implemented
2002-18	Medicaid Cluster	93.778	Special Tests and Provisions – Provider Eligibility	Corrective action implemented
2002-19	Medicaid Cluster	93.778	Special Tests and Provisions – Provider Eligibility	Corrective action implemented

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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Finding No.	Program	CFDA No.	Compliance Requirement	Status
2002-20	Medicaid Cluster	93.778	Special Tests and Provisions – Provider Eligibility	Corrective action implemented
2002-21	Medicaid Cluster	93.778	Special Tests and Provisions – Managed Care	Corrective action implemented
2002-22	Medicaid Cluster	93.778	Special Tests and Provisions – Managed Care	Corrective action implemented
2002-23	Medicaid Cluster	93.778	Allowable Costs and Activities	Corrective action implemented
2002-24	Medicaid Cluster	93.778	Allowable Costs and Activities	Corrective action implemented
2002-25	Medicaid Cluster	93.778	Allowable Costs and Activities	Corrective action implemented
2002-26	Medicaid Cluster	93.778	Allowable Costs and Activities	See current year finding 2003-12
2002-27	Medicaid Cluster	93.778	Eligibility	Corrective action implemented
2002-28	Medicaid Cluster	93.778	Reporting	Corrective action implemented
2002-29	Medicaid Cluster	93.778	Reporting	Corrective action implemented
2002-30	Medicaid Cluster	93.778	Provider Eligibility	Corrective action implemented
2002-31	HIV Emergency Relief Formula Grant Title I	93.914	Reporting	Corrective action implemented
2002-32	HIV Emergency Relief Formula Grant Title I	93.914	Subrecipient Monitoring	Corrective action implemented
2002-33	Adoption Assistance Program	93.659	Allowable Costs and Activities	Corrective action implemented
2002-34	Mental Health Block Grant	93.958	Allowable Costs and Activities	Corrective action implemented
2002-35	Mental Health Block Grant	93.958	Allowable Costs and Activities	Corrective action implemented
2002-36	Mental Health Block Grant	93.958	Allowable Costs and Activities	Corrective action implemented
2002-37	Mental Health Block Grant	93.958	Earmarking	Corrective action implemented
2002-38	Mental Health Block Grant	93.958	Procurement, Suspension and Debarment	Corrective action implemented
2002-39	Mental Health Block Grant	93.958	Reporting	Corrective action implemented
2002-40	Mental Health Block Grant	93.958	Subrecipient Monitoring	See current year finding 2003-13

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Finding No.	Program	CFDA No.	Compliance Requirement	Status
2002-41	Mental Health Block Grant	93.958	Subrecipient Monitoring	See current year finding 2003-14
2002-42	U.S. Marshal – Federal Inmates	16.000	Allowable Costs and Activities	Corrective action implemented
2002-43	U.S. Marshal – Federal Inmates	16.000	Equipment and Real Property Management	Corrective action implemented
2002-44	U.S. Marshal – Federal Inmates	16.000	Davis Bacon Act	Corrective action implemented
2002-45	Aging Cluster	93.044 and 93.045	Reporting	Corrective action implemented
2002-46	Aging Cluster	93.044 and 93.045	Subrecipient Monitoring	Corrective action implemented